



Time to assess the current & future business climate

SME Barometer Report

Spring 2022



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Our thanks to the following SMEs leaders for sharing their personal business stories as part of the Barometer:



Foreword by Chris Horne Azets Group CEO

I am pleased to introduce our Spring SME Barometer – and like our preceding Barometer, it once more demonstrates the strength and resilience of SME leaders and business owners across Europe.

Marked by another year of COVID and its associated effects, the leaders of small and medium-sized enterprises continue to remain stoic, pivoting their business models and proving why they continue to be the backbone of our economies, dealing with the uncertainty with stamina and courage.

The findings of this Spring edition were collated just before the outbreak of the conflict taking place in Ukraine, and as the war continues to unfold, our first thoughts are around the enormous humanitarian tragedy that is taking place.

The impact on the global economy and the SME sector will be immense when we start to analyse the effect of sanctions, price fluctuations on commodities and global supply chain disruptions to name but a few.

Despite these enormous uncertainties, there will be no surprise that the issues and priorities for SMEs uncovered in the Barometer are still hugely relevant.

Dealing with cost inflation to skills shortages, cyber security threats, to tackling ESG commitments and general unpredictability are some of the challenges cited.

SMEs across the globe remain committed to pivoting their business model and embracing digitalisation as the biggest opportunities to fuel their growth.

It is this flexibility and agility that will be key for SMEs as they continue to build their resilience as well as the moral support they provide to their local and international communities.

Azets are proud to play a part in contributing to improving the lives of our clients and communities across our vast local office network and we are grateful to 1,000+ clients and contacts who took part in this second Barometer across Denmark, Finland, Norway, Sweden and the UK.

We would also like to thank those SME leaders for sharing their case study stories and advice to other leaders grappling with similar issues, they further reinforce the achievement and fortitude of SMEs.

We hope you find the results insightful, and we look forward to continuing to work with you through our advisory services to support your ambitions.



Chris Horne
Azets Group CEO

99%

of businesses in Europe are SMEs and are the beating heart of the economy.

1093

leaders of small and medium business across the Nordics and UK took part.

Summary of findings

Battered by another year of Covid and its related impacts, this second Azets SME barometer finds SMEs clearly less positive about the economic outlook than they were a year ago. And, despite this, they remain stubbornly optimistic about their own business.

The pandemic has put undeniable stress on SMEs, as a number of externalities continue to mount, from cost inflation to skills shortages, cyber security threats, supply chain risks and general unpredictability.

“Although I am generally a confident person and am optimistic about the future, there are greater areas of uncertainty and more factors over which I have no control than ever before in my 50+ years in business.”

- SME UK



Zooming in more closely, these are our key findings:

While last Summer over two-thirds of SMEs were optimistic about the economic outlook, this Spring that number is down to just over half (51%), and **29% expect the economic climate to worsen**. UK SMEs are the least positive.

Even though sentiment on the economic climate is weaker, **62% of SMEs expect their turnover to increase** in the next 12 months, while 53% forecast improved profits. Technology SMEs are the most bullish about growth prospects.

SMEs across the board are keeping faith in their business model as their greatest opportunity. They may be hard hit by the ongoing crisis, but they recognise that their flexibility, agility, and proximity to their customers are essential in building their resilience to past and future shocks.

The pandemic has accelerated digitalisation among SMEs and the trend is likely to continue: **over half of SMEs say they will be increasing digitalisation in the year ahead**. There is no doubt that technology whether for cyber security, data analytics, remote working, ecommerce or process automation is key for ongoing resilience and competitive advantage.

Employee wellbeing has risen to be SMEs' second highest priority, after securing their financial health. Not only do they express concern that Covid and remote working have taken their toll on morale, they also recognise they need to offer attractive employee benefits to secure scarce talent.

Cost inflation and recruitment are SMEs' biggest day-to-day challenges, with knock-on effects on cash flow and the time spent on administrative work. Almost two-thirds

of SMEs are struggling to recruit talent with the right skills.

All of this leaves **little bandwidth and urgency for Environmental, Social and Governance (ESG)**. 71% of SMEs are not currently focusing on reducing carbon emissions and 85% are not currently measuring the carbon footprint of their business. Expertise, time, cost and supply chain due diligence are among the biggest challenges facing SMEs in relation to ESG.



For two years now, as producers in the event industry, we have been walking on a tightrope, hoping that the rope will last, and no one will fall off.

- SME Finland

“The SME market has been characterised by great optimism since autumn 2021. The pandemic appears to be subsiding and the high sickness absence we are now experiencing will likely normalise over the spring. Everything was in place for more positive forward momentum.

However, unfortunately, the war in Ukraine has created new uncertainty and much now depends on how this situation develops, and what impact the sanctions on Russia will have on energy prices, raw materials, and more.

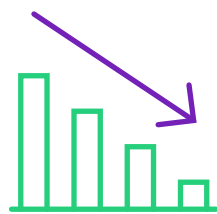
Digitisation is an important factor in many industries, if you want to stay competitive. It is also an important sustainability measure. Digitisation also makes information accessible from all places with an internet connection and enables a more flexible way of working.

Cyber security is all the more important when most things are digital, and we are seeing more and more companies becoming targets for cyber attacks. Every email, every hyperlink and every document can hide an attack, so raising awareness, maintaining good routines and delivering training is critical.”



Rune Norbakk
Azets Norway, MD

Summary of findings | Key extracts



Economic optimism drops from Summer 2021 high



Business model, digitalisation and economy are the biggest opportunities



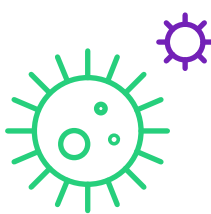
Cost inflation is the biggest day-to-day worry for SMEs



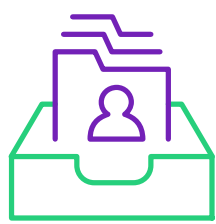
48% of SMEs don't have skills or competencies to address ESG



62% of SMEs expect their turnover to increase in the next 12 months



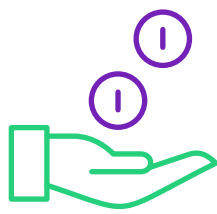
Covid-19 remains the biggest threat



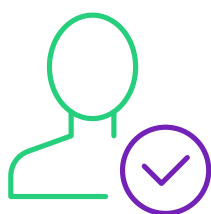
2/3 SMEs find recruiting new talent with the right skills challenging



71% are NOT currently focusing on reducing the carbon footprint of their businesses



Among Nordic SMEs, sales is the top competency required to achieve growth



Employee wellbeing rises to 2nd most important priority



61% of SMEs say digitalisation is important in driving business efficiency



16% of UK SMEs have experienced a cyber attack or serious data breach

Key findings | Economic outlook

Optimism on the economic outlook has dropped since Summer 2021

As we enter a third year under the shadow of Covid and the start of a European War, SME sentiment on the economy has clearly taken a knock, yet remains, on balance, hopeful that an upturn is around the corner, hopeful that an upturn will emerge.

Last Summer, with countries coming out of lockdown, many companies were still benefiting from government financial support and the hope was that the worst was over.

This Spring, while there are signs that the latest Covid variant surge is subsiding, SMEs are still facing the ongoing fallout of the pandemic in the form of supply chain disruptions, cost inflation, staffing issues, and more. Besides this, they face continuing uncertainty over whether there will be more variants to come.

So, while last year over two-thirds of SMEs were optimistic about the general economic climate going forward, this Spring that number is down to just over half (51%), and 29% expect the economic climate to worsen. This translates to a positive optimism index of +22 overall, which is substantially down on Summer 2021, when we recorded a high of +49.

With less cash flow and fewer staff, smaller companies are typically more vulnerable to shocks than larger ones, and so it is no surprise that micro businesses are also less positive about the outlook compared to small and medium-sized firms.

Striking variations in sentiment are apparent by country and by sector. SMEs in Norway and Denmark are much more optimistic than those in the UK.

SMEs in financial / professional services, manufacturing and construction are the most positive sectors while more consumer-facing sectors, notably hospitality, leisure and transport are less so.

“We have gone from several years of unpredictability related to covid, to an unstable political situation that puts the whole world under pressure. The optimism that prevailed at the previous SME report has now shifted to more uncertainty and other priorities for SMEs.

There is a sharp focus on cyber security, downgrading of ESG, and costs. The instability in the market forces companies to prioritise differently than just a year ago.

There are opportunities in digitisation and shifting business models. We also see competition in the market as an opportunity. In describing threats we see covid, competition and economics.

However, we believe the strong will beat the weak, where competition is used as an opportunity. Focus on your own business model and development, dare to challenge, and build stone by stone.

The SME Barometer shows that many businesses want to focus on ESG and sustainability to a far greater extent than before. But it also highlights over 80% do not keep climate accounts today.

A great potential and opportunity for Azets is to prioritise and support this both in our own company and for our clients. For what you can measure, you can put measures in place - and we have a responsibility to those who come after us. “



Runar Leite
Azets Insight AS, MD

Key findings |

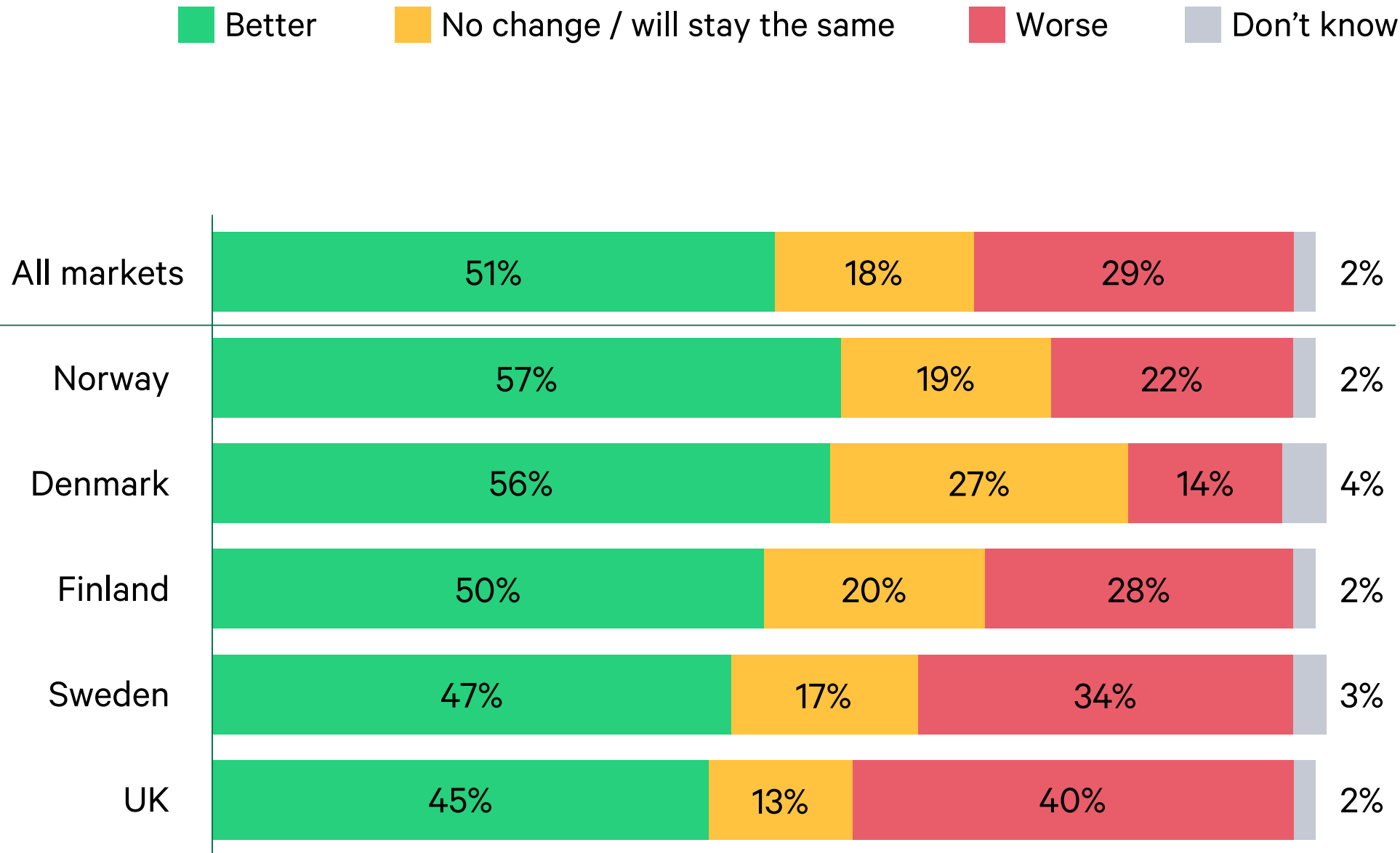
Economic outlook

Optimism on the economic outlook has dropped since Summer 2021

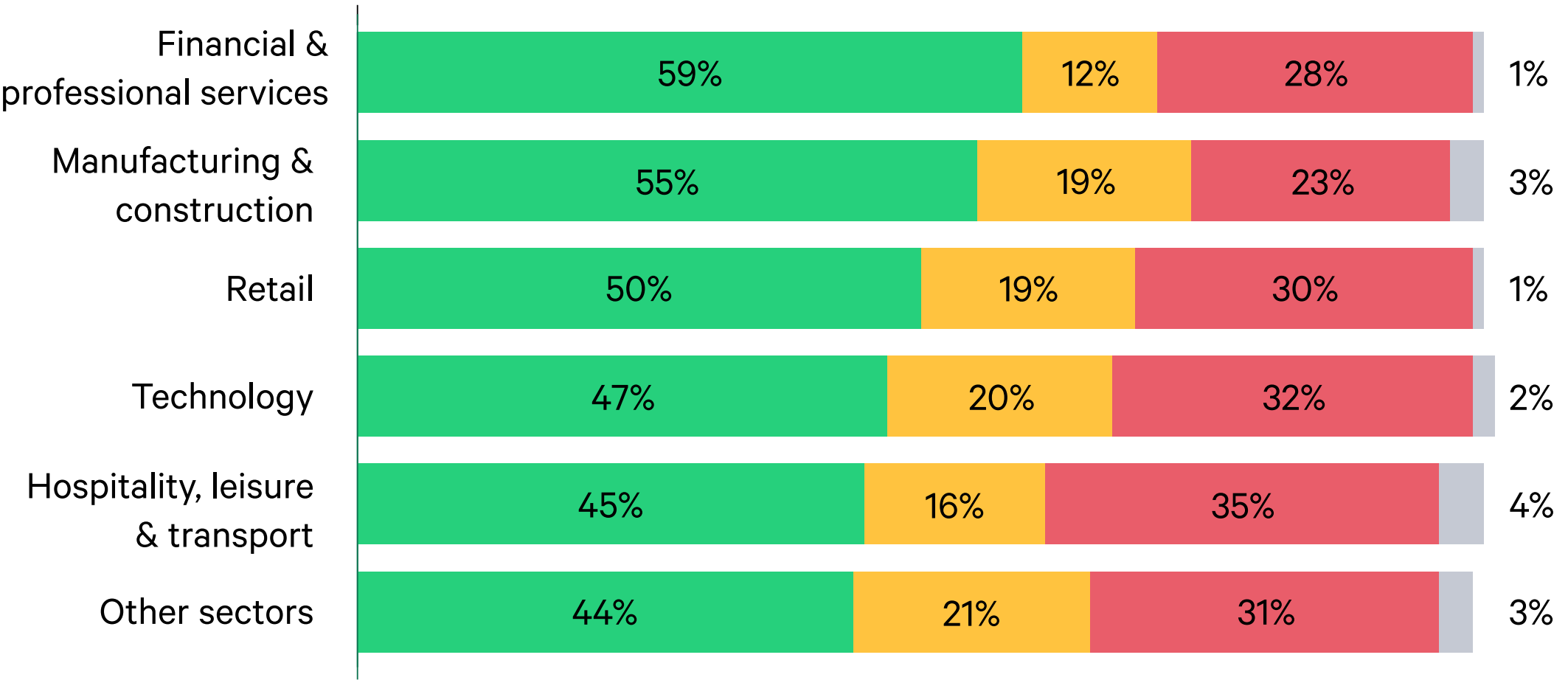
We asked SMEs how they expect the general economic climate in their country to change over the next 12 months?

BASE: n=1093 businesses all markets.
SOURCE: Echo

Economic outlook by country



Economic outlook by sector



Key findings | Business outlook

SMEs are stubbornly optimistic about their own business outlook

Even though sentiment on the economic outlook is weaker, SMEs remain rather positive about the growth prospects for their own business.

Over three-fifths (62%) of SMEs expect their turnover to increase in the next 12 months, while 53% forecast improved profits. Compared to last Summer, the prospects for international trade appear a little brighter, as the threat of lockdowns recedes, and more companies anticipate adding staff. To achieve that growth, Nordic SMEs identified sales as the competency in need of most improvement.

Technology SMEs are the most bullish about their prospects for revenue growth, with 77% expecting it to increase in the next 12 months. SMEs operating within the manufacturing and construction sector are also optimistic about increasing profits (62%) and growing employee headcount (59%).

Meanwhile it is no surprise to see digitalisation prominent on SMEs' radar. The pandemic has accelerated digitalisation for many businesses, large and small, as remote working

and conducting business online became the norm. SMEs increasingly recognise that this digitalisation trend is here to stay, and accordingly, they are also increasingly aware they need to address cyber security.

As for sustainability and diversity, SMEs have relegated these to the back burner behind other priorities including survival. However, with the COP26 climate conference fresh in people's minds, we note a modest rise in the number of firms who anticipate stepping up their action on sustainability this Spring compared to last Summer.



62%

of SMEs expect turnover to increase in the next 12 months.

Sales

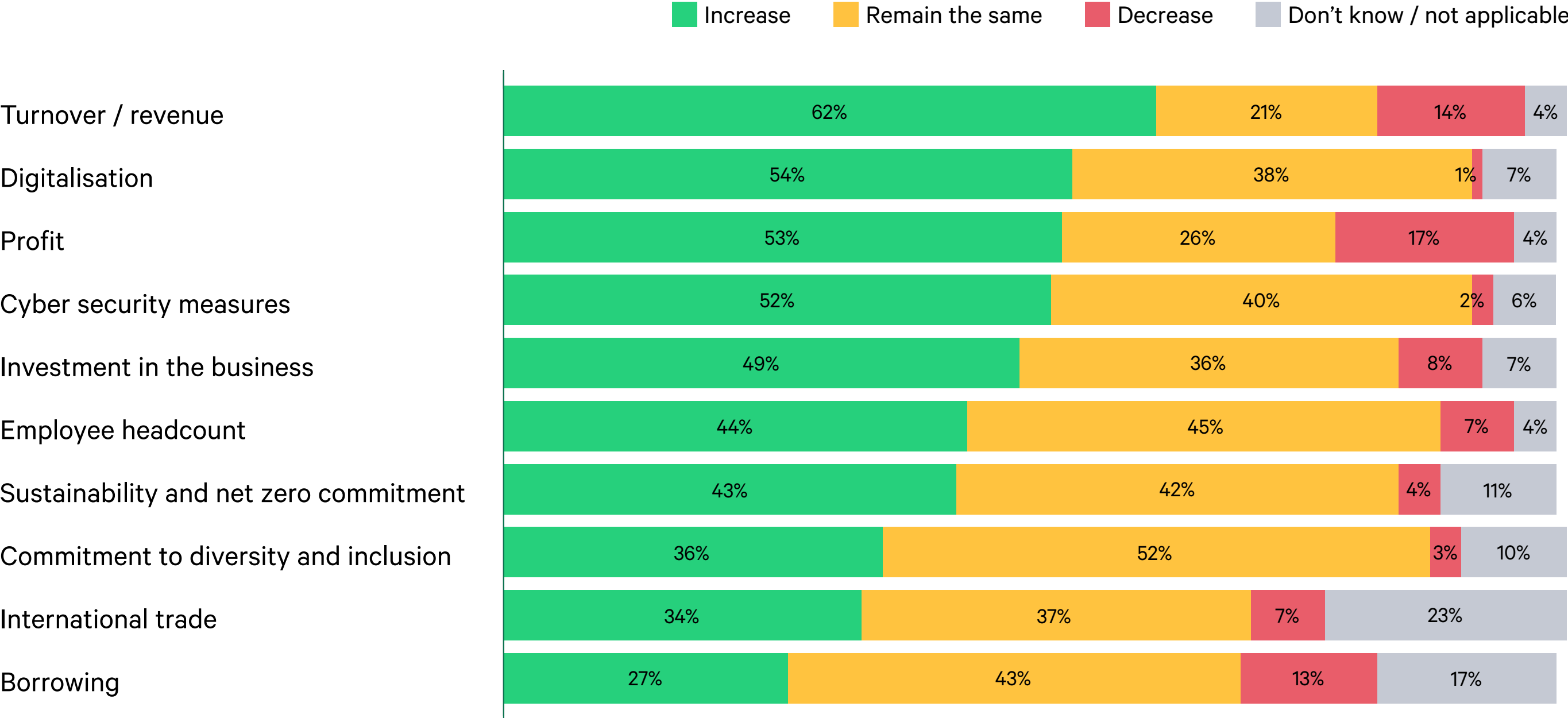
is the competency Nordic SMEs say needs most improvement to achieve growth.

Key findings | Business outlook

SMEs are stubbornly optimistic about their own business outlook

Thinking of your business specifically, do you expect the following to increase, decrease or remain the same in the next 12 months?

BASE: n=1093 businesses all markets.
SOURCE: Echo



“Financial health remains the number one priority for SMEs as they work hard to keep their businesses on track with growth plans or adapt as necessary. Good corporate governance backed by a robust audit opinion can help demonstrate a company’s healthy financial position and support growth opportunities, which has never been so important against such an uncertain and unpredictable global economic outlook.

Emerging technologies and data analytics utilised by our Audit teams are providing businesses with deeper insights and process improvements, leading to richer management focus on forecasting for future outcomes to support strong, financial health.”



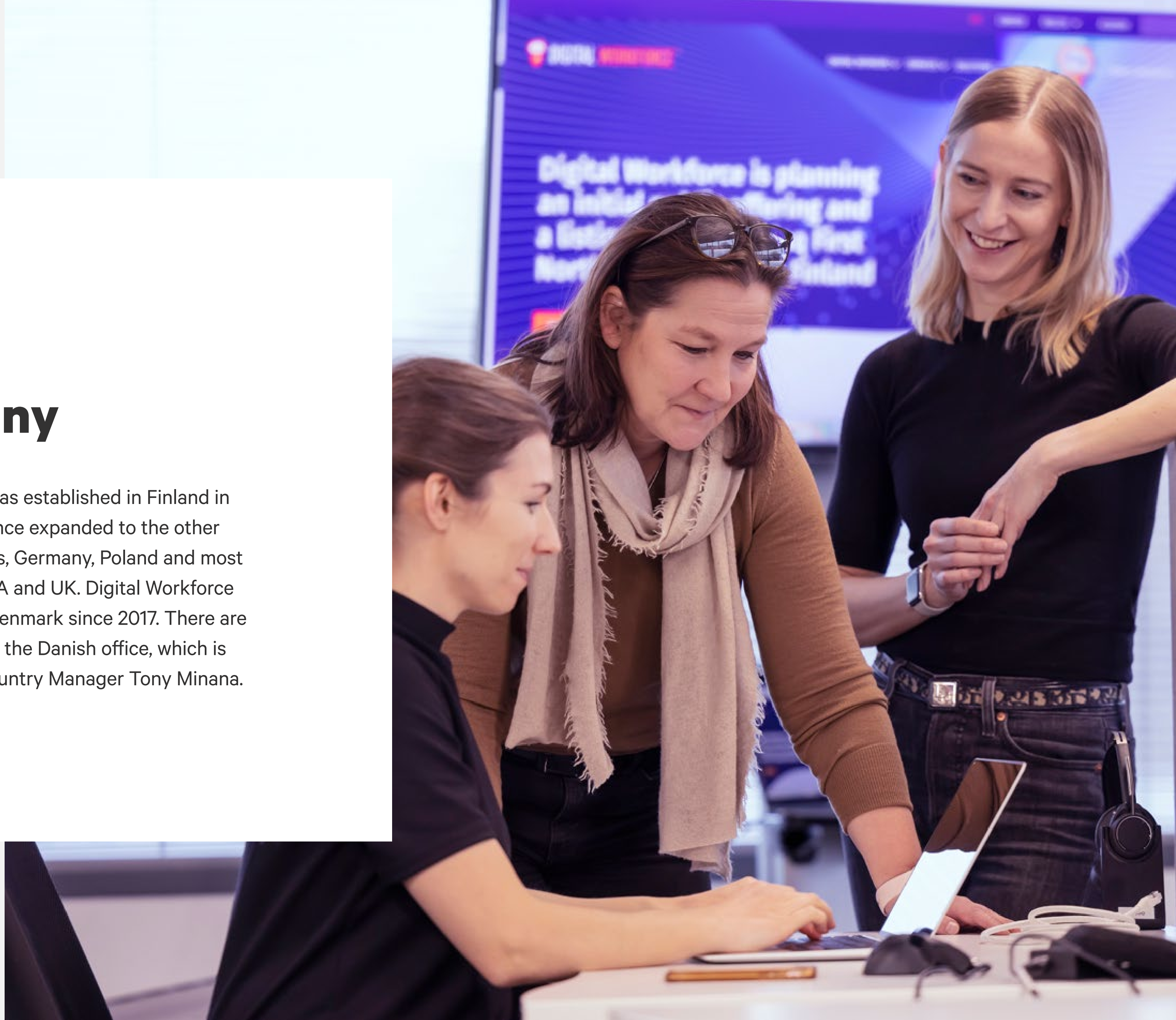
Lindsey Tyler
Head of Audit, UK



About case story company

Digital Workforce is a leading provider of intelligent process automation (IPA) for private businesses and the public sector. Using software robots, Digital Workforce digitalises and automates client workflows, thereby saving more time and achieving a higher degree of efficiency and accuracy in the affected functions.

The company was established in Finland in 2015 and has since expanded to the other Nordic countries, Germany, Poland and most recently the USA and UK. Digital Workforce has existed in Denmark since 2017. There are 10 employees in the Danish office, which is managed by Country Manager Tony Minana.



COVID-19 has turbo-charged digitalisation in Danish companies, but the journey is far from over

The leading provider of IPA (intelligent process automation) has noticed how the pandemic has opened companies' eyes to the possibilities of digital automated solutions.

Digital Workforce is a healthy business experiencing good growth, and on the SME barometer, Country Manager Tony Minana points to two crucial opportunities for the company's continued development:

"Of course digitalisation, which is our core service. That's what we do! And in addition, COVID-19, which has greatly increased many companies' needs for digital solutions and not least altered their attitude to these possibilities."

The battle for talent is getting tougher

For significant threats, the Danish country manager highlights the competition for people. Like many other Danish companies, Tony Minana is finding that attracting and retaining employees is the major current challenge. Therefore, one of the biggest priorities at Digital Workforce is employee well-being and retention.

"As a company, you get nowhere without a solid core group of employees, and therefore it is important for us to ensure a high level of employee well-being. We do this through, among other things, the possibility of flexible working hours and places, and we have a very open learning environment with excellent opportunities for further development and education."

Vision and ambition are the path to growth

In recent years, Digital Workforce has seen an increasing recognition that a strategic approach to digitalisation and automation often leads to business growth, greater robustness and increased competitiveness.

"Danish companies are on their way, but I would like to see an even higher level of ambition regarding rethinking traditional workflows and methods. We need ambition and vision to create growth and make Danish SMEs even more competitive – including at an international level."

"We need ambition and vision to create growth and make Danish SMEs even more competitive - including at an international level."



Tony Minana
Country Manager

Key findings | Opportunities and threats

Resilience of SMEs shines through despite the Covid crisis being their biggest threat

SMEs remain confident that their business model offers them their greatest opportunity, even in the face of the continuing threat of the Covid pandemic.

Make no mistake, the Covid crisis has been particularly tough on SMEs, not only because they are more prevalent in the worst-hit sectors like hospitality, retail and transport, but also because they have fewer buffers – including access to liquidity – than bigger firms.

Covid-19 continues to be the biggest threat for SMEs due to the restricted movement of people impacting opportunities for face-to-face business and staff absences. Other reasons given range from supply and logistics challenges to the impact on staff morale and productivity due to remote

working, cash flow problems and general unpredictability. Yet SMEs mostly retain a strong faith in their business model as their greatest opportunity despite these external factors. While as smaller businesses, they may be more vulnerable in many respects, they recognise that their flexibility and agility, coupled with being close to their customers, are essential in building their resilience to past and future shocks.

Digitalisation emerges as the second biggest opportunity in the eyes of SMEs, especially in the Nordics.

“

We are flexible and solutions-focused.

- SME Sweden

“

Our business model is strong, adaptable and offers many opportunities.

- SME Norway

“

Our business is very agile and flexible which means we can be very responsive for our clients.

- SME UK

“

Uncertainty over local and global economy and lack of consumer confidence. Enforced staff absences interrupting day to day operations of the business.

- SME UK

“

Our business model is the cornerstone of our business and also of great importance when it comes to competition.

- SME Sweden

Key findings | Opportunities and threats

Resilience of SMEs shines through despite the Covid crisis being their biggest threat

We asked our SMEs to rank the three biggest opportunities and threats for their business in the next 12 months.

BASE: n=1093 businesses all markets
SOURCE: Echo

Biggest opportunity

						
	Overall	UK	Denmark	Finland	Norway	Sweden
1	 Business model	 Business model	 Business model	 Business model	 Business model	 Business model
2	 Digitalisation	 The economy	 International trade	 Digitalisation	 Digitalisation	 Digitalisation
3	 The economy	 Digitalisation	 The economy	 International trade	 Competition	 The economy

Biggest threat

						
	Overall	UK	Denmark	Finland	Norway	Sweden
1	 Covid-19	 Covid-19	 Covid-19	 Covid-19	 Covid-19	 Covid-19
2	 The economy	 The economy	 The economy	 Competition	 Competition	 Competition
3	 Competition	 Brexit	 Competition	 The economy	 The economy	 The economy

The pandemic created new opportunities

The serviced apartment provider found new customers during the pandemic

Forenom is a serviced apartment provider with a strong focus on international business customers. The aparthotel chain has 60 employees in Sweden. The pandemic has been hard on the company.

- Our biggest threat and our immediate challenge is of course the declining international travel due to the pandemic. We are very dependent on international companies sending employees to work in Sweden, says Henrik Thomasson, Managing Director at Forenom in Sweden.

Although 2022 will be overshadowed by the pandemic, Thomasson still believes in a financial recovery compared to 2021. Especially when it comes to growth and expansion outside the large cities.

- Even though we are affected by the pandemic, we have adapted to the situation and managed to find new target groups. When international tech companies have sent fewer employees on business trips to Sweden, we have turned our attention to large construction and infrastructure projects, such as steel power plants and international factory establishments.

Companies involved in these projects need temporary housing for their staff so we are establishing ourselves in new cities where the need for our services exists, Thomasson says.

Sustainability and the environment are prioritized areas for the company.

- It is very important to focus on sustainability and the environment, both from a financial perspective and because our customers and employees demand it. We are prioritizing four goals within Agenda 2030: avoid unnecessary new construction, maximize the usage of housing capacity, ensure sustainable procurement and optimize our water and energy usage. For instance we are extending the life of properties. We reuse old properties and utilize their potential for another 10 years instead of having them demolished, says Thomasson.

FORENOM

“We are establishing ourselves in new cities where the need for our services exists.”



Henrik Thomasson
CEO Forenom



Sustainable operations and effective cash management bring results



Sustainable operations and effective cash management bring results

Viherkaste Oy is a horticultural company that aims to produce healthy salads and herbs in a sustainable way for the wholesale market.

Viherkaste's CEO Erkki Nylund tells that a sustainable operation model has been their principle since the company was established.

They use hydroponic cultivation technique that saves water and no pesticides are needed. Viherkaste strives for resource efficiency and, for example, nutrient solution is recycled.

Sustainability brings results: Viherkaste grows despite changes in the environment. At the beginning of the pandemic, Viherkaste benefited as people became enthusiastic about cooking high quality food at home. The result for 2021 also looks positive. "We are constantly developing our operations and striving to use our inputs efficiently," says Nylund.

For example, Viherkaste has digitized its operations as much as possible. Automation takes care of the climate and irrigation of the greenhouses. Digitalisation also extends to the company's financial management where financial management and production control systems are used.

The prolonged pandemic and unstable world politics have challenged the industry. As a result, for e.g., energy, fertilizer and freight prices have risen sharply.

The largest item of expenditure is electricity and its price has risen by tens of per cent. Viherkaste has managed to tackle the increased costs. The key to Viherkaste's success is proactive approach, sustainable operations and effective cash management.

"We need to keep an eye on the future and anticipate potential threats. As costs rise, efforts must be made to raise prices so that we are on a healthier footing", says Nylund. Nylund is worried that some SMEs will be left behind their larger opponents what comes to pricing.

He wants to send greetings to other SMEs: "Even a small company has to stand its ground what comes to pricing. You must pass on the increase in costs in the chain and dare to raise your prices." He adds: "You need to know how to use a calculator to stay profitable."

"We are constantly developing our operations and striving to use our inputs efficiently."



Erkki Nylund
CEO Viherkaste

Key findings | Priorities

Employee wellbeing is a growing priority for SMEs

Financial health is fundamental at the best of times and remains the number one priority for SMEs across the board, just as it was last Summer.

More strikingly, employee wellbeing has risen to be firms’ second highest priority overall, from third place last Summer. With more than half of SMEs (55%) reporting they have introduced remote or hybrid working practices, part of their concern is for the impact this has on staff. Remote working and constant insecurity “affects the resilience of our employees both at work and at leisure,” says one Finnish SME. It “erodes motivation,” says another in Norway.

SMEs in retail, manufacturing and construction place a particular emphasis on staff wellbeing.

Employee wellbeing is also a growing focus in view of the competition for talent. SMEs rank talent acquisition among their top five priorities, with UK firms seeing this as a more pressing concern than their counterparts in the Nordics.

Reinforcing the perception of SMEs’ flexibility and adaptability, just over half our interviewees say they have

introduced a product, service or market change as a result of the pandemic, and 44% have adapted their business model.

Meantime, a couple of years of disrupted business impacting a company’s books, continuing unpredictability and reduced availability of bank loans might make this not the best time to sell a small business. And so it seems, with over a third (35%) of SMEs indicating they are pushing back plans to sell or retire. Conversely, three in ten (29%) are getting out by bringing forward plans to sell or retire.



Costs are going up all the time and can’t be passed on via price increases. So the only sensible thing is to quit.

- SME Finland

“The global pandemic brought several new and significant challenges for SMEs. One of the largest we saw was in the labour market, which stopped completely. Employees waited to change jobs, whilst many employers initiated redundancies and were not in employment mode.

The mechanisms in an open labour market did not work and the pandemic created a bottleneck. From the moment the pandemic took hold, there was a shift from a historically low demand for labour to an explosive market where the bottleneck and cap were blown away and everyone was in a desperate situation needing to recruit. 32% of all employers are now in employment mode (Q1 2022 MEOS), but there are not enough qualified employees.

“You are hired on the basis of your qualifications and fired on the basis of your personality. Or you are tempted by good conditions but quit on the basis of the collegial environment.” It is probably a good idea to rethink hiring and include personality in the classic qualification requirement. You do not just want an employee - you want a good colleague.

Another question we should ask is why we drive parallel shifts in competence to search for employees with identical experience from similar jobs - why should they change? The retirement age is increasing, and the workforce is getting older on average - are we good at thinking of this as a resource? Here lies a great future potential.”



Pål Zubi
Azets People, MD

Key findings | Priorities

Financial health comes first and foremost in uncertain times

We asked SMEs what are the top priorities for your business in the next 12 months?

BASE: n=1093 businesses all markets

SOURCE: Echo

Top priorities

1. Financial health
2. Employee wellbeing
3. Innovation / product development
4. Adapting business model
5. Talent acquisition

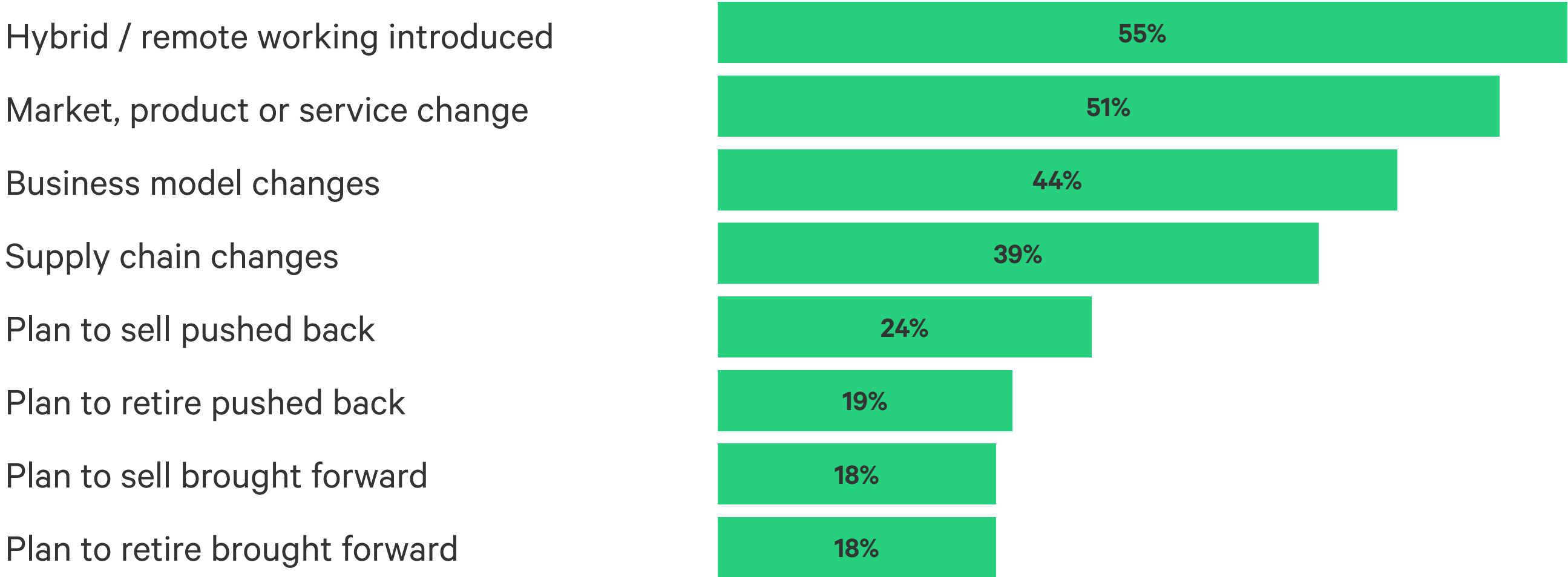
Key findings | Priorities

The pandemic has caused nearly a quarter of SME owners to push back plans to sell

We asked SMEs how their business has adapted / changed as a result of the Covid-19 pandemic?

BASE: n=1093 businesses all markets
SOURCE: Echo

Adapting post-Covid



“The SME Barometer reveals one of the biggest concerns for SMEs is recruitment and competencies.

Therefore, it is no surprise we find employee well-being at the very top of the priorities. Across industries, companies are struggling to attract competent employees, and the importance of employee well-being and retention has become clear. No matter how great a market potential you face, growth will be lacking - or

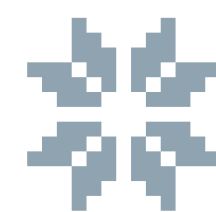
far from reaching its full potential - if you do not have a core of loyal employees who thrive and are motivated by converting strategy into practice and thus creating value for the business.

At the same time, digitalisation is considered one of the most important opportunities, and in relation to an uncertain resource situation, there is no doubt that it plays a role. All other things being equal, the company

that has managed to digitise its processes will be less vulnerable than the competitor, which still rests on a foundation of manual workflows.”



June Mejlgaard Jensen
Azets Insight A/S og Azets
Insight AB, MD



VOKSENÅSEN

Case study Voksenåsen AS

Voksenåsen AS has brought hope and togetherness during the pandemic.

Case study - Voksenåsen AS

Voksenåsen AS has brought hope and togetherness during the pandemic.

While Covid made the past few years complicated for Voksenåsen's two industries in culture and service, they decided to rethink and restructure, becoming the winter destination to bring us together.

Having two industries in one business, a hotel and a culture center, proved to be quite demanding in 2019 as Covid announced its arrival, but Voksenåsen AS decided to keep their minds calm in a time of crisis, by taking slow steps and adapting to the situation.

Located just next to Holmenkollen in Oslo, Voksenåsen AS looked at their local environment and decided to play to their strengths - but in a new way. By focusing on being local, they managed to attract a

neighborhood clientele. This was a new approach, and a brand new direction for them.

Something that came out of the pandemic was redefining their image as a winter destination.

They looked for what was unique about their local environment, and with Nordmarka as their neighbor, and wonderful locations as an alpine resort, they naturally focused on cross-country skiing, slalom, and sledding as a way to bring people together.

Through collaboration with VY (the Norwegian state owned transportation company), Voksenåsen has opened up the green alternative of reaching their location completely via bus, even from as

far as Copenhagen and Gothenburg. An ongoing project will also remove electricity completely from their heating sources, as the drilling of 16 wells and restructuring of their facilities will allow for sustainable heating by water.

Voksenåsen hopes to see themselves going back to normal in the near future, still with a lot of flexibility and an open mind for new solutions.

The plan is to keep working with short-distance events, youths, and winter tourism.

“Being here is like coming home to something. I highly encourage everyone to take part in the opportunities you find in your local environment. We all need our neighbors, and feeling like we are all together.”



Maria Carolina af Klinteberg Herresthal
CEO Voksenåsen

Key findings | Day-to-day challenges

Cost inflation and skills shortages are main headaches

With the energy price crunch this winter coming on top of materials shortages, it is no wonder cost inflation is the top daily worry for SMEs. Recruitment follows a close second.

SMEs see themselves sandwiched between rising costs and limited ability to raise prices in view of consumers' and customers' reduced spending power. Some also complain of the rising costs of bureaucracy. Late payment by customers – a daily worry for a quarter of SMEs – exacerbates the problem, as do deferred tax payments that are now coming due.

Recruiting talent is the other main preoccupation, confirming that SMEs are not exempt from the seismic shift in workforce habits and expectations – dubbed the Great Resignation – that has been observed at the larger company level across the US and Europe.

The difficulty of finding the right people with the right skills is a common issue at the start of 2022, and a challenge that businesses recognise has knock-on effects that extend

beyond not being able to deliver the work in time. It means “not having the headspace to innovate.” (SME UK).

All of these headaches only add to the perennial problem of too much time spent on administrative work. With remote working, “many processes become more complicated and take more time.” (SME Sweden)

“

Cost inflation might be the worst and not predictable impact on our business in 2022.

- SME Denmark

64%

of SMEs find recruiting new talent with the right skills challenging.

“

It has become more difficult to recruit the right skills.

- SME Norway

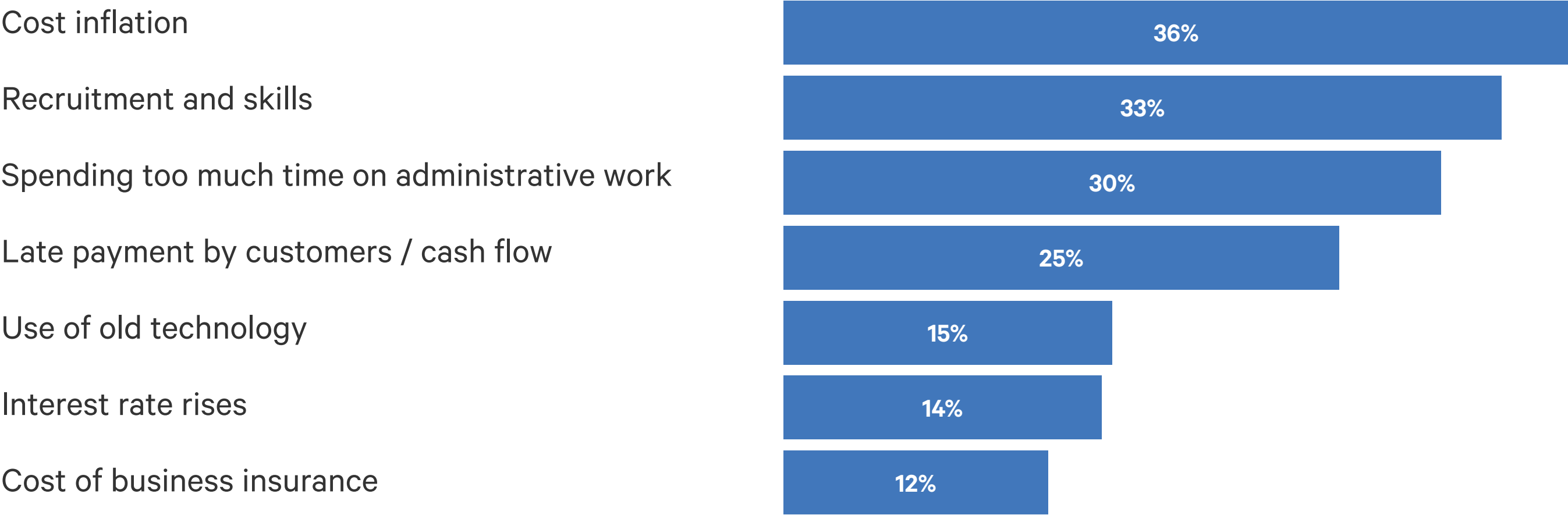
Key findings | Day-to-day challenges

Cost inflation and skills shortages are main headaches

We asked SMEs what are the areas you worry about most day-to-day?

BASE: n=1093 businesses all markets
SOURCE: Echo

Day-to-day worries



“Considering the current circumstances, it’s not a surprise that financial health remains the number one priority for SMEs, irrespective of the country.

Companies are facing several challenges at the same time: uncertainty related to demand for products and services, high inflation and energy prices, competition on skilled workforce, as well as pressure to further invest in digitalisation all putting additional pressure on

cash flow, liquidity and future financing opportunities. Cost inflation and recruitment are SMEs’ biggest day-to-day challenges.

Many companies are not necessarily able to pass on increasing costs to prices which leads to weakening profitability.

At the same time the overheated labour market means

difficulties in recruiting the right skills leading to potential delivery problems, increasing salaries and recruitment costs.”



Ulla Nikkanen
Azets Insight Oy, MD



OXIDANE

Case study Oxidane Inc.

In the intersection between water and high technology, you find us rigged for the future.

Case Study: Oxidane Inc.

In the intersection between water and high technology, you find us rigged for the future.

Having known each other for about 30 years and spent 15 years working in finance, Steffen Pauschert and Even Ovnerud decided to start an investment company together.

In one year of blooming business, the NOK 10 million invested has grown to NOK 110 million, and that is only the start.

“We would never have been able to do this without good advisers and business partners.”

We look for exceptional founders and experienced problem solvers who can solve the challenge their business addresses and positively impact the world. For us, that impact lies in the intersection between water and high technology.

Both Ovnerud and Pauschert have grown up at the coastline of Norway and have a passion for the maritime sector and seafood.

Just picture it – water covers 71 per cent of the

Earth’s surface, but it represents 100 per cent of Oxidane’s investments.

While the two investors look for the most exciting water-related technologies, everything they do is about people. And building strong and long-term partnerships is an important key to growth.

Finding the best team and investing in building those teams is crucial when it comes to business. And as many probably agree with, investing in start-ups is not just a capital game. When we invest, we also bring competency to the table. We share and incorporate our contacts and advisory into the teams.

That means we can share input on everything from smart and efficient tools to manage accounting, HR to marketing and media. The advice and professional recruitment from Azets have been great value-adds for both Oxidane and its portfolio companies.

We have been in the business of building both

success and capital for decades. Now, our goal is to help drive a positive and sustainable blue shift, and in every new project, we look to evaluate their social and ecological impact. A huge part of this is digital tools and digitalization.

Technology has become the framework for almost everything, whether it is emission-free energy solutions for the maritime sector or the future trading platforms for seafood or technology.

The examples above are from two of the most recent companies Oxidane has invested in or launched; Inseanergy and Fished. Together with PureNorwayWater, Intoto and Ecotrawl, Pauschert and Ovnerud feel confident about the future.

We are lucky. Not only have we have founded, grown, and developed Oxidane in the midst of a pandemic, but we also have like-minded investors and dedicated partners with us on the journey.

“We would never have been able to do this without good advisers and business partners.”



Steffen Pauschert
CEO Oxidane Inc.

Key findings | Technology and cyber security

Cyber security is the priority technology innovation as one in ten report attacks

The rapid digitalisation of sales, working and learning triggered by the pandemic has increased the cyber security threat for small businesses and they know it.

Cyber security attacks are on the rise since Covid and SMEs are not exempt. One in ten SMEs report they have already experienced a cyber attack, rising to around one in six in the UK.

It is not surprising that 70% of our interviewees consider cyber security protection to be the most important technological innovation for their business going forward.

There is increased recognition, especially in Norway and Finland, that digitalisation in general is important for driving business efficiency and keeping ahead of competitors.

More than half of SMEs agree that technology for data analytics, supply chain security, remote working and management reporting have an important role to play in the success of their business.

“

Because it is an affordable and efficient way to reach new and existing markets as well as streamline internal processes.

- SME Norway

“

It keeps our company a pioneer in its field. Already, digitalisation has had a significant impact on competitive advantage.

- SME Finland

11%

of SMEs have experienced a cyber attack or serious data breach, rising to 16% of UK SMEs.

“

A cyber security attack could fundamentally damage the business and has done so to competitors.

- SME UK

57%

agree that data analytics is important in driving business efficiency.

Key findings | Technology and cyber security

Cyber security is the priority technology innovation as one in ten report attacks

We asked SMEs how important, if at all, are the following technological innovations in driving the efficiency of your business going forward?

BASE: n=1093 businesses all markets
SOURCE: Echo

% saying it is important



“There has never been so many tax incentives, structures and reliefs available to UK businesses, whether to invest in innovation or further product development, which is crucial to boosting long-term growth and productivity.

The lack of uptake of super allowances so far is likely due to economic uncertainty, leaving business owners reticent to spend too quickly, but I would urge SME businesses to review their ability to invest now and use the incentives available to them whilst they still can.”



Praveen Gupta
Head of Tax, UK



Auga Technologies Ltd

Award winning Auga Technologies helps organisations and people transform how they communicate, capture opinions and learn.



Case Study: Auga Technologies Ltd

Award winning Auga Technologies helps organisations and people transform how they communicate, capture opinions and learn, through best-in-class technology and exceptional service.

Headquartered in Oakhanger, Hampshire and serving clients globally, it employs 35 people in the UK and 26 people in its development operation in Finland, it provides market leading solutions across audience engagement and market research.

Its patent-backed technology was developed in Finland for the Smartphone age and was shaped by the belief that meetings and classes can be materially enhanced through the provision of polling, Q&A and other forms of engagement.

Group CEO - Jon Fowler notes that the biggest challenge we face right now is access to talented people in what is a candidate’s market. Predominately UK based and with a ‘flexible forever’ mantra, we just need to find great people to help us meet our growth ambitions.

Our second biggest challenge is accelerating the point at which we achieve our key metrics. To achieve that aim requires selective funding, but the right sort of funding.

We are fortunate to offer products that are fully digital, and which lend themselves to remote and hybrid working. As a result, although there was attrition in parts of our business, overall, the Pandemic acted as a stimulus to revenue growth.

The Pandemic meant that literally overnight the majority of our clients’ employees were obliged to work from home. One effect of hybrid and home working, however ‘agile’ the patterns of work have become, is that it’s much harder for businesses to build culture and employee engagement in the traditional way.

Our fully digitised employee engagement product has enabled many remote workers to share their voice in real time in a comfortable and safe environment with anonymity if needed.

We have also enabled many clients to track and extract core engagement data in a sophisticated way to make better engagement decisions. This has been really key for our clients as they continue to build

strategies to retain their people and build stronger work cultures.

I also believe over the next year or two we will see the market consolidate. I would like to see our growth continue to be fueled organically but there will be complementary acquisition targets that will prove of interest.

Like many leaders we are also very mindful of our environmental legacy and being a 100% digital player, we are pleased that our carbon footprint is low. We have reason to believe that our technology, online meetings, and digital reporting, also helps our clients lower their emissions.

This year we will be doing more to record our ESG policies and statements and it’s a good thing that tender requests are increasingly asking for this information, as it challenges us all to have ESG as a top priority.

“Certainly, in the tech and innovation space, be prepared for the long haul, it takes longer than you think, whether that’s building a scalable platform or developing and marketing the products.”



Jon Fowler
Group CEO

Key findings | Environmental, Social and Governance (ESG)

ESG is on most SMEs' radar but specific action lacks urgency

Sustainability and ESG in general is in the spotlight like never before, yet more than half of SMEs do not think it will have a big impact on their business in the next two years.

Over half of SMEs agree they have a good understanding of what ESG means and have the skills and competencies in the business to address it.

But on reducing carbon emissions specifically, 71% are not currently taking action and 85% are not currently measuring the carbon footprint of their business. There is a similar lack of action on improving diversity and inclusion in the workplace and promoting women to senior leadership roles.

For some SMEs rooted in their local community, ESG appears as common sense. For others it poses challenges in terms of cost and the expertise and resources required to implement it. Given the current pressures on SMEs, a basic challenge can simply be “finding the time to bring this to the fore when there are more pressing matters to deal with.” SME UK

Some would like to do more but recognise the difficulty of doing due diligence on their suppliers. “Our biggest carbon footprint comes from equipment, that is, computers and monitors. It is impossible for a small company to find out how responsibly equipment manufacturers operate, so we need to rely on our equipment supplier’s assessment,” says one SME in Finland.

Others note that accreditation – for example, for carbon emissions reductions targets like Science Based Targets – are often too onerous for small firms to tackle, leaving them without recognised proof of their efforts.

With legislation coming down the track for EU SMEs on sustainable products, ESG is set to become an increasingly important theme.



58%

of SMEs have a good understanding of what ESG means.

52%

say the business has the skills and competencies required to address ESG.

47%

say ESG will have a big impact on their business in the next 2 years.

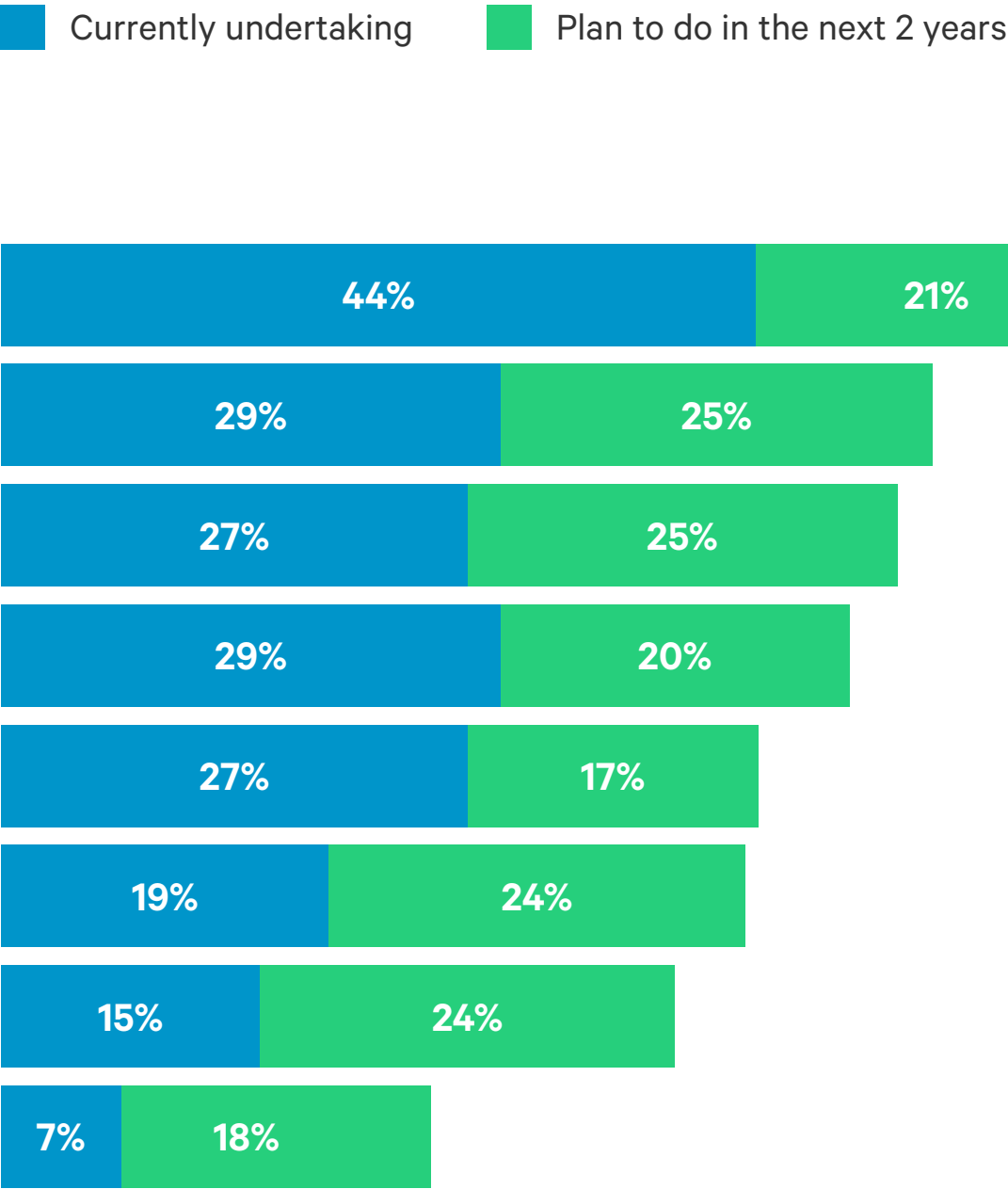
Key findings | Environmental, Social and Governance (ESG)

ESG is on most SMEs’ radar but specific action lacks urgency

We asked SMEs which of the following activities are you currently undertaking, and which are you planning to undertake in the next two years?

BASE: n=1093 businesses all markets
SOURCE: Echo

- Acting ethically and environmentally responsibly
- Reducing the environmental impact / carbon footprint of your business
- Improving the positive impact of your business on society / in your local community
- Improving diversity and inclusion in your workplace
- Promoting females to senior leadership roles
- Auditing your supply chain for environmental impact and environmentally friendly products
- Measuring the carbon footprint of your business
- Publishing audited reports on ESG



“Agility and the ability to adapt business models remains a key priority for SMEs this year, as the uncertain UK business outlook is prolonged by rising prices, disrupted supply chains, and the potential for new Covid variants and outbreaks combining to create a negative impact under the spectre of war in Europe.

Regular checks and scenario stress testing of a business model and the necessary actions to ensure the business can adapt and remain financially viable when change happens will help provide resilience, promote growth and innovation, and reduce reliance on reactive, crisis-led decision making.”



Fraser Campbell
Head of Accounting and Business Advisory Services, UK

Key findings | Environmental, Social and Governance (ESG)

SMEs struggle to find the time and the resources to address ESG

We asked SMEs what are the biggest challenges to your business in relation to ESG?

BASE: n=397 businesses all markets who provided an answer
SOURCE: Echo

“
Recognition of what we are doing well in ESG, even as a micro enterprise: most accreditation is only for bigger companies and then we do not get access to certain benefits or the recognition for doing the right thing.
- SME UK

“
The cost of implementing ESG initiatives, when other costs are also increasing, and the consumer is not aware that they will have to pay for this.
- SME UK

“
It takes time to do that.
- SME Sweden

“
Requires greater reporting and verification, something that costs both internal resources and external costs for verification.
- SME Denmark



“
Find sustainable alternatives in terms of raw materials and materials and still be able to sell goods at a profit.
- SME Sweden

“
As a small business, the impact feels insignificant.
- SME Finland



Case study

Expect Distribution Ltd

Driving growth opportunities and business continuation through a Management Buy Out .

Case Study: Expect Distribution Ltd

Driving growth opportunities and business continuation through a Management Buy Out.

Expect Distribution is amongst the UK’s most successful contract logistics operators within the haulage and warehouse sectors.

The business was established by the Rushworth family, who have successfully run and grown it for over 30 years. In this time, its award-winning service has met and exceeded the needs of commerce and industry all over the UK.

They deliver bespoke logistics packages from palletised and international distribution to contract logistics and warehousing for clients including Boost Drinks, Astonish and Card Factory.

With over 300 employees and 130 vehicles across 4 sites, Expect Distribution has been meeting the needs of the commerce and industry for over 30 years.

Scenario
The management team at Expect Distribution were looking to structure a Management Buy Out to secure the legacy of the business and become business owners themselves.

Azets provided corporate finance advice to Matthew Kilner and Andy Taylor the incoming management team, including advising on the deal structure and raising of debt finance to fund the deal.

“
Expect is a business that is close to our hearts, and we are excited to take responsibility for its future growth.

We are really proud of what we have achieved so far and thrilled to be leading the next stage of Expect’s journey.

We have taken the reins at an exciting time for the business and for the wider Logistics industry.

We relish the opportunities ahead of us and look forward to realising those with the colleagues, customers and

suppliers who allow the business to be a market leader.

Our thanks to all parties who supported the MBO and worked with us to make it become a reality.



Andy Taylor
Operations Director

Case Study: Expect Distribution Ltd

Driving growth opportunities and business continuation through a Management Buy Out.

Solution

The Azets team was able to secure a competitive and commercial funding package, ensuring the best terms and structure was agreed. Azets worked closely with the management team's legal advisors, enabling a fully project managed process and a smooth handover of ownership. This ensured minimal disruption for employees and customers and key stakeholders of the business.

Over many years Expect has spent time creating a highly respected business and despite having external suitors who were interested in buying Expect, the business owners found it difficult to imagine any parties who would understand and run the company with the same ethics and unique formula that has been created over time, until the opportunity for this Management Buy Out arose.

The story of Expect Distribution demonstrates the vibrant business environment in the Yorkshire region. This is a success story built on entrepreneurship, innovation and quality, and the new management is now in a great position to take the business from strength to strength.



Regarding the company's expansion and growth plans, we couldn't be more excited to be working with our team to achieve and execute the company's plans going forward and we intend to continue that

organic growth which will see Expect grow by a projected 15-20% in 2022.

The transport industry and specifically recruitment will remain a challenge in the coming year but the strength of Expect is within its diversity and we have some big plans underway to expand our warehousing facilities and grow the business further.

We are proud to be taking Expect Distribution into a new era and we are committed to continuing this great success story.'



Matthew Kilner
Finance Director

About Azets

Working together to improve the lives of our clients, our people and our communities.

We are one of the largest and fastest growing regional accountancy and business advisory groups operating across Europe, supporting over 120,000 SME clients as well as large scale businesses, public sector organisations and private clients.

We pride ourselves on offering high quality advice and personal service to help our clients achieve their ambitions either digitally via our market-leading workplace technology Cozone or at their door through our 150 offices located across the UK and Europe.

We attract some of the smartest talent in the industry who share our core values. In every interaction, you will experience someone who is collaborative, respectful, authentic, and dynamic, to drive the right results for our client.



As part of Azets, our multi-award-winning Blick Rothenberg brand provides high-quality, Partner-led tax, accounting, audit and business advisory services to high net worth private individuals, owner managed businesses, international groups, corporates, overseas listed companies and third-party advisers.



We are also members of Allinial Global – an award-winning international association providing access to a wealth of expertise and insights from high quality, dedicated regional firms in key economic centres all over the world. This ensures we can find the very best solutions for our clients, both locally and internationally.

To find out more visit

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About the study

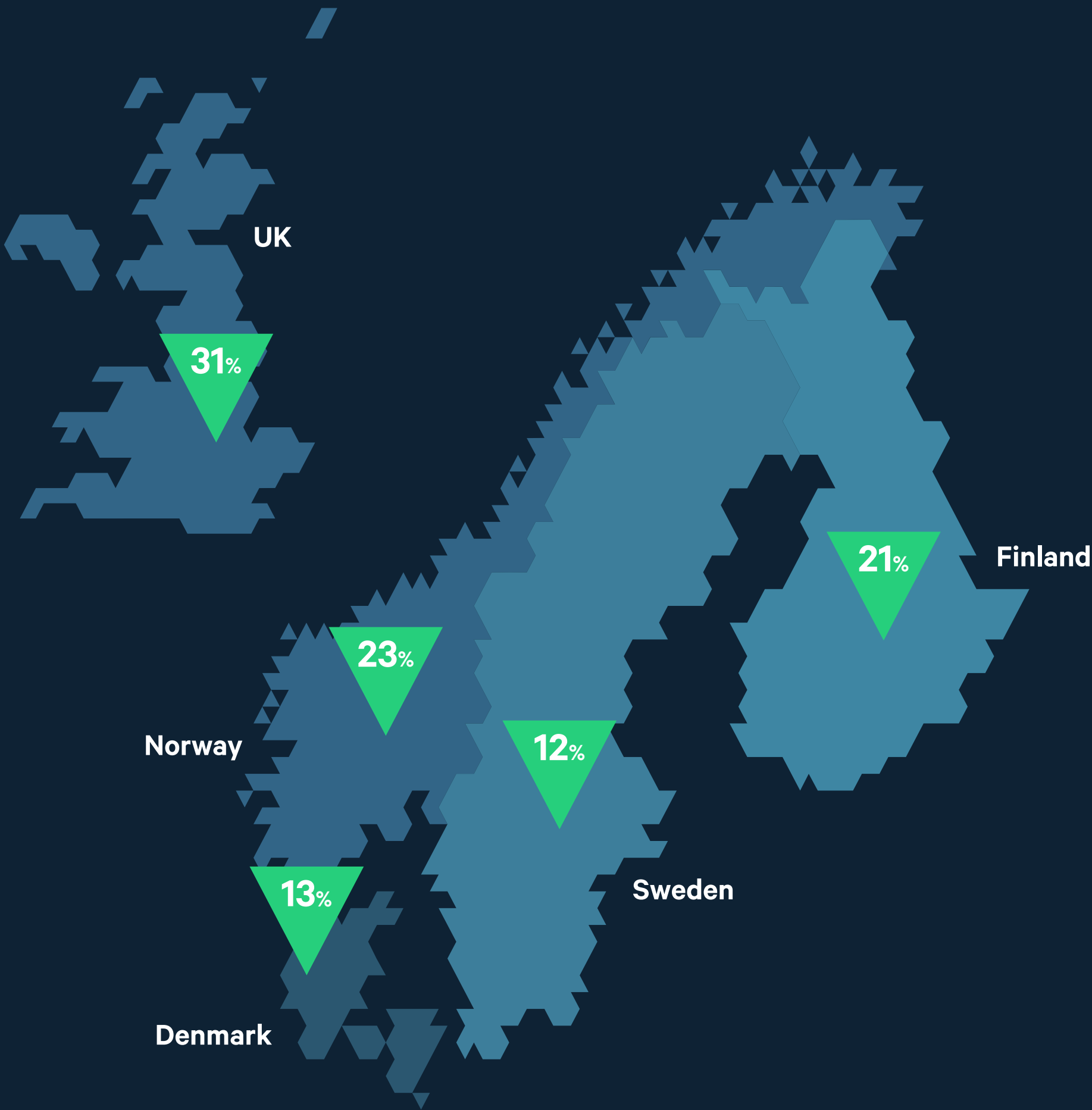
The second wave of the Azets SME Barometer was carried out in January 2022 with 1,093 SMEs participating across the geographies in which Azets operate: Denmark, Finland, Norway, Sweden and the UK.

It follows the first wave of the Azets SME Barometer conducted in April and May 2021.

For the purposes of this study, a business qualifies as an SME if it has fewer than 250 employees and/or less than £50m annual turnover (or local equivalent).

The research was conducted online by the independent global research firm, Echo Research.

Percentage of businesses by country



Percentage of businesses by sector

	Financial and professional services	22%
	Manufacturing and construction	20%
	Retail and wholesale	14%
	Hospitality, leisure and transport	13%
	Media and technology	6%
	Other sectors	25%